

**CITY OF LITTLE RIVER, KANSAS**  
**SPECIAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**DAVID A. O'DELL CPA, LLC**  
**Certified Public Accountant**  
**McPherson, Kansas 67460**

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**CITY OF LITTLE RIVER, KANSAS**  
**SPECIAL FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2009**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Little River, Kansas


I have audited the accompanying financial statements of the City of Little River, Kansas, as of and for the year ended December 31, 2009 and 2008 and the individual fund financial statements of the City as of and for the year ended December 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, and the *Kansas Municipal Audit Guide*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for our opinion.

As described in Note 1, the City prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the City as of December 31, 2009 and 2008, or the results of its operations, or the cash flows of its proprietary fund types for the year then ended.

However, in my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the City as of December 31, 2009 and 2008, and its cash receipts and expenditures, for the year then ended on the basis of accounting described in Note 1. The individual fund financial statements as of and for the year ended December 31, 2009 and 2008, present fairly, in all material respects, the unencumbered cash balances, cash receipts and expenditures on the basis of accounting described in Note 1.

  
August 9, 2010  
McPherson, Kansas

CITY OF LITTLE RIVER, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
For the Year Ended December 31, 2009

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
GENERAL OPERATING FUND:							
General Operating Fund	\$ 241,333	\$ -	\$ 159,859	\$ 173,666	\$ 227,526	\$ 6,392	\$ 233,918
SPECIAL REVENUE FUNDS:							
Library Fund	180	-	8,246	8,100	326	-	326
Employee Benefit Fund	481	-	13,411	11,184	2,708	-	2,708
Special Highway Fund	-	-	9,607	9,607	-	-	-
Fire Department Fund	11,988	-	501	50	12,439	-	12,439
Total Special Revenue Funds	12,649	-	31,765	28,941	15,473	-	15,473
CAPITAL PROJECT FUND:							
Municipal Equipment Reserve	10,000	-	10,000	-	20,000	-	20,000
Total Capital Project Funds	10,000	-	10,000	-	20,000	-	20,000
ENTERPRISE FUNDS:							
Gas Utility Fund	34,883	-	270,809	243,667	62,025	43,262	105,287
Water Utility Fund	170,870	-	96,908	88,452	179,326	3,106	182,432
Sewer Utility Fund	51,321	-	59,538	62,821	48,038	2,406	50,444
Solid Waste Fund	11,658	-	26,429	25,560	12,527	2,176	14,703
Total Enterprise Funds	268,732	-	453,684	420,500	301,916	50,950	352,866
Total Primary Government	532,714	-	655,308	623,107	564,915	57,342	622,257
COMPONENT UNIT:							
Library Board	23,643	-	20,300	20,543	23,400	-	23,400
Total Reporting Entity	\$ 556,357	\$ -	\$ 675,608	\$ 643,650	\$ 588,315	\$ 57,342	\$ 645,657

The notes to the financial statements are an integral part of this statement.

CITY OF LITTLE RIVER, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
For the Year Ended December 31, 2009

STATEMENT 1  
Page 2 of 2

COMPOSITION OF CASH:	
Checking Accounts - City Clerk	\$ 351,669
Certificates of Deposit - City Clerk	270,588
Total Cash - Primary Government	622,257
Checking Accounts - Component Unit	23,400
Total Cash - Component Units	23,400
Total Reporting Entity	\$ 645,657



## CITY OF LITTLE RIVER, KANSAS

(Budgeted Funds Only)

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
For the Year Ended December 31, 2009

	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance- Favorable (Unfavorable)</u>
GENERAL OPERATING FUND					
General Operating Fund	\$ 419,581	\$ -	\$ 419,581	\$ 173,666	\$ 245,915
SPECIAL REVENUE FUNDS:					
Library Fund	8,100	-	8,100	8,100	-
Employee Benefit Fund	14,000	-	14,000	11,184	2,816
Special Highway Fund	21,030	-	21,030	9,607	11,423
ENTERPRISE FUNDS:					
Gas Utility Fund	282,000	-	282,000	243,667	38,333
Water Utility Fund	270,648	-	270,648	88,452	182,196
Sewer Utility Fund	66,300	-	66,300	62,821	3,479
Solid Waste Fund	38,752	-	38,752	25,560	13,192

**CITY OF LITTLE RIVER, KANSAS**  
**GENERAL OPERATING FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
**For the Year Ended December 31, 2009**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year Actual	Actual	Current Year Budget	Variance- Favorable (Unfavorable)
Cash Receipts:				
Ad Valorem Taxes -				
Current Tax	\$ 55,026	\$ 66,410	\$ 67,188	\$ (778)
Delinquent Tax	1,711	1,848	2,384	(536)
Motor Vehicle Tax	16,638	17,776	15,149	2,627
Recreational Vehicle Tax	242	192	277	(85)
16/20M Vehicle Tax	103	-	106	(106)
ME Tax Reduction	2,022	449	-	449
Health and Environment KDHE	2,920	-	-	-
Sales Tax	28,379	43,296	35,000	8,296
Compensating Use Tax	4,710	-	-	-
Federal Aid Emergency Preparedness	2,550	-	-	-
Licenses, Permits, and Fees -				
Franchise	11,292	10,568	10,800	(232)
Dog Licenses	482	676	500	176
Building Permits	90	70	200	(130)
Fines	2,595	3,804	4,000	(196)
Interest Income	10,385	4,159	6,000	(1,841)
Utility Penalties Collected	5,858	5,643	13,500	(7,857)
Capital Credits	-	-	1,000	(1,000)
Sale of Fire Department Building				-
Miscellaneous Income	6,458	4,968	4,120	848
Transfers In -				
Water Utility Fund	10,000	-	-	-
Total Cash Receipts	161,461	159,859	\$ 160,224	\$ (365)
Expenditures:				
General Government -				
Personal Services	38,139	36,251	\$ 26,040	\$ (10,211)
Contractual	26,420	24,866	26,000	1,134
Commodities	20,447	13,651	15,000	1,349
Capital Outlay	-	-	251,316	251,316
Public Safety -				
Personal Services	40,916	41,106	37,275	(3,831)
Contractual	6,995	174	2,000	1,826
Commodities	-	-	3,500	3,500
Capital Outlay	-	-	750	750
Street Lights	9,111	8,074	10,000	1,926
Streets	35,136	32,712	30,000	(2,712)



**CITY OF LITTLE RIVER, KANSAS  
GENERAL OPERATING FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
For the Year Ended December 31, 2009  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)**

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Expenditures (Continued):				
Parks and Recreation	8,216	408	400	(8)
Appropriations -				
Library	-	-	1,000	1,000
Historical Library	-	20	400	380
Transfer Out -				
Equipment Reserve	-	10,000	10,000	-
Other -				
Dump	6	-	400	400
Sidewalk			-	-
Other	3,092	6,404	5,500	(904)
Total Expenditures	188,478	173,666	<u>\$ 419,581</u>	<u>\$ 245,915</u>
Receipts Over (Under) Expenditures	(27,017)	(13,807)		
Unencumbered Cash, Beginning	268,350	241,333		
Unencumbered Cash, Ending	<u>\$ 241,333</u>	<u>\$ 227,526</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF LITTLE RIVER, KANSAS  
SPECIAL REVENUE FUND - LIBRARY FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

**For the Year Ended December 31, 2009**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	<b>Prior Year Actual</b>	<b>Current Year</b>		<b>Variance- Favorable (Unfavorable)</b>
		<b>Actual</b>	<b>Budget</b>	
Cash Receipts:				
Ad Valorem Taxes -				
Current Tax	\$ 6,040	\$ 6,081	\$ 6,320	\$ (239)
Delinquent Tax	176	188	107	81
Motor Vehicle Tax	1,950	1,915	1,631	284
Recreational Vehicle Tax	2	20	30	(10)
16/20M Vehicle Tax	12	42	12	30
Total Cash Receipts	8,180	8,246	<u>\$ 8,100</u>	<u>\$ 146</u>
Expenditures:				
Library Board	8,000	8,100	<u>\$ 8,100</u>	<u>\$ -</u>
<b>Receipts Under Expenditures</b>	180	146		
<b>Unencumbered Cash, Beginning</b>	-	180		
<b>Unencumbered Cash, Ending</b>	<u>\$ 180</u>	<u>\$ 326</u>		

**CITY OF LITTLE RIVER, KANSAS**  
**SPECIAL REVENUE FUND - EMPLOYEE BENEFIT FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

**For the Year Ended December 31, 2009**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
Ad Valorem Taxes -				
Current Tax	\$ 9,232	\$ 10,106	\$ 10,506	\$ (400)
Delinquent Tax	261	284	-	284
Motor Vehicle Tax	3,096	2,920	2,481	439
Recreational Vehicle Tax	3	31	45	(14)
16/20M Vehicle Tax	20	70	18	52
Total Cash Receipts	12,612	13,411	\$ 13,050	\$ 361
Expenditures:				
FICA and Medicare	4,104	-	\$ 5,000	\$ 5,000
KPERS	2,600	3,316	3,000	(316)
Unemployment	-	-	-	-
Workers Compensation Policy	6,101	7,868	6,000	(1,868)
Total Expenditures	12,805	11,184	\$ 14,000	\$ 2,816
<b>Receipts Over (Under) Expenditures</b>	(193)	2,227		
<b>Unencumbered Cash, Beginning</b>	674	481		
<b>Unencumbered Cash, Ending</b>	\$ 481	\$ 2,708		

**CITY OF LITTLE RIVER, KANSAS**  
**SPECIAL REVENUE FUND - SPECIAL HIGHWAY FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

**For the Year Ended December 31, 2009**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
State of Kansas - Fuel Tax	\$ 14,998	\$ 9,607	\$ 15,670	\$ (6,063)
Expenditures:				
Contractual	14,998	9,607	\$ 21,030	\$ 11,423
<b>Receipts Over (Under) Expenditures</b>	-	-		
<b>Unencumbered Cash, Beginning</b>	-	-		
<b>Unencumbered Cash, Ending</b>	\$ -	\$ -		

**CITY OF LITTLE RIVER, KANSAS**  
**SPECIAL REVENUE FUND - FIRE DEPARTMENT FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL**  
**For the Year Ended December 31, 2009**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	<b>Prior Year Actual</b>	<b>Current Year Actual</b>
Cash Receipts:		
City of Little River - Meetings	\$ 490	\$ 490
Donations	706	
Interest	26	11
	<hr/>	<hr/>
Total Cash Receipts	1,222	501
Expenditures:		
Contractual	720	50
	<hr/>	<hr/>
<b>Receipts Over (Under) Expenditures</b>	502	451
<b>Unencumbered Cash, Beginning</b>	11,486	11,988
	<hr/>	<hr/>
<b>Unencumbered Cash, Ending</b>	<u>\$ 11,988</u>	<u>\$ 12,439</u>



**CITY OF LITTLE RIVER, KANSAS**  
**CAPITAL PROJECT FUND - EQUIPMENT RESERVE FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL**

**For the Year Ended December 31, 2009**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	<b>Prior Year Actual</b>	<b>Current Year Actual</b>
Cash Receipts:		
Transfer from General Fund	\$ -	\$ 10,000
	<hr/>	<hr/>
Total Cash Receipts	-	10,000
	<hr/>	<hr/>
Expenditures:		
Capital Outlay	-	-
	<hr/>	<hr/>
Total Expenditures	-	-
	<hr/>	<hr/>
<b>Receipts Over Expenditures</b>	-	10,000
	<hr/>	<hr/>
<b>Unencumbered Cash, Beginning</b>	10,000	10,000
	<hr/>	<hr/>
<b>Unencumbered Cash, Ending</b>	<u>\$ 10,000</u>	<u>\$ 20,000</u>

**CITY OF LITTLE RIVER, KANSAS**  
**ENTERPRISE FUND - GAS UTILITY FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
**For the Year Ended December 31, 2009**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
Charges for services	\$ 286,063	\$ 264,425	\$ 294,000	\$ (29,575)
Turn On Fees	1,520	1,690	1,500	190
Sales Tax	3,683	3,339	3,500	(161)
Other	1,153	1,355	3,000	(1,645)
Total Cash Receipts	292,419	270,809	\$ 302,000	\$ (31,191)
Expenditures:				
Personal services	31,300	26,815	\$ 43,900	\$ 17,085
Contractual	35,171	50,267	221,000	170,733
Commodities	209,976	163,262	12,000	(151,262)
Capital Outlay	-	-	-	-
Sales Tax	3,687	3,260	4,000	740
Other	112	63	1,100	1,037
Total Expenditures	280,246	243,667	\$ 282,000	\$ 38,333
Receipts Under Expenditures	12,173	27,142		
Unencumbered Cash, Beginning	22,710	34,883		
Unencumbered Cash, Ending	\$ 34,883	\$ 62,025		

The notes to the financial statements are an integral part of this statement.

**CITY OF LITTLE RIVER, KANSAS**  
**ENTERPRISE FUND - WATER UTILITY FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
**For the Year Ended December 31, 2009**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	<b>Prior Year Actual</b>	<b>Current Year</b>		<b>Variance- Favorable (Unfavorable)</b>
		<b>Actual</b>	<b>Budget</b>	
Cash Receipts:				
Charges for services	\$ 80,862	\$ 93,929	\$ 95,000	\$ (1,071)
Turn On Fees	1,880	1,790	1,500	290
Water Protection Fee	657	718		718
Sales Tax	394	336	1,500	(1,164)
Reimbursed Expenses	7,893	135		135
Total Cash Receipts	91,686	96,908	\$ 98,000	\$ (1,092)
Expenditures:				
Personal services	45,697	49,813	\$ 50,000	\$ 187
Contractual	25,980	24,893	30,000	5,107
Commodities	12,094	11,369	15,000	3,631
Capital Outlay	-	-	158,580	158,580
Debt Service	-	-	14,068	14,068
Sales Tax	392	332	3,000	2,668
Other	1,900	2,045		(2,045)
Transfer Out - General Operating Fund	10,000	-		-
Total Expenditures	96,063	88,452	\$ 270,648	\$ 182,196
<b>Receipts Over Expenditures</b>	(4,377)	8,456		
<b>Unencumbered Cash, Beginning</b>	175,247	170,870		
<b>Unencumbered Cash, Ending</b>	\$ 170,870	\$ 179,326		

The notes to the financial statements are an integral part of this statement.

**CITY OF LITTLE RIVER, KANSAS**  
**ENTERPRISE FUND - SEWER UTILITY FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
**For the Year Ended December 31, 2009**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
Charges for services	\$ 58,066	\$ 59,509	\$ 70,000	\$ (10,491)
Reimbursement from CDBG and KDHE Funds	-	-	-	-
Other	5,351	29	-	29
Total Cash Receipts	63,417	59,538	\$ 70,000	\$ (10,462)
Expenditures:				
Personal services	29,145	25,468	\$ 30,000	\$ 4,532
Contractual	22,156	21,142	20,000	(1,142)
Commodities	3,134	3,923	4,000	77
Capital Outlay	-	-	-	-
Other	25	29	-	(29)
Debt Service	12,259	12,259	12,300	41
Total Expenditures	66,719	62,821	\$ 66,300	\$ 3,479
Receipts Over (Under) Expenditures	(3,302)	(3,283)		
Unencumbered Cash, Beginning	54,623	51,321		
Unencumbered Cash, Ending	\$ 51,321	\$ 48,038		

The notes to the financial statements are an integral part of this statement.

**CITY OF LITTLE RIVER, KANSAS  
ENTERPRISE FUND - SOLID WASTE FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

**For the Year Ended December 31, 2009**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	<b>Prior Year Actual</b>	<b>Current Year</b>		<b>Variance- Favorable (Unfavorable)</b>
		<b>Actual</b>	<b>Budget</b>	
Cash Receipts:				
Charges for services	\$ 24,630	\$ 26,429	\$ <u>27,000</u>	\$ <u>(571)</u>
Expenditures:				
Contractual	<u>23,643</u>	<u>25,560</u>	\$ <u>38,572</u>	\$ <u>13,012</u>
<b>Receipts Over Expenditures</b>	987	869		
<b>Unencumbered Cash, Beginning</b>	<u>10,671</u>	<u>11,658</u>		
<b>Unencumbered Cash, Ending</b>	<u>\$ 11,658</u>	<u>\$ 12,527</u>		



## CITY OF LITTLE RIVER, KANSAS

STATEMENT OF CHANGES IN LONG-TERM DEBT  
For the Year Ended December 31, 2009

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Note Payable: KDHE	2.75%	9/1/2006	190,383	3/1/2006	\$ 169,386	\$ -	7,654	\$ (7,654)	\$ 161,732	\$ 4,605

## CITY OF LITTLE RIVER, KANSAS

SCHEDULE OF MATURITY OF LONG-TERM DEBT  
For the Year Ended December 31, 2009

	YEAR								Total
	2010	2011	2012	2013	2014	2015-2019	2020-2024	2025-2026	
PRINCIPAL									
Note Payable:									
KDHE - Sewer Revenues	\$ 7,866	\$ 8,083	\$ 8,307	\$ 8,537	\$ 8,774	\$ 47,649	\$ 54,621	\$ 17,895	\$ 161,732
INTEREST									
Note Payable:									
KDHE - Sewer Revenues	4,394	4,176	3,952	3,722	3,485	13,648	6,676	524	40,577
TOTAL PRINCIPAL AND INTEREST	\$ 12,260	\$ 12,259	\$ 12,259	\$ 12,259	\$ 12,259	\$ 61,297	\$ 61,297	\$ 18,419	\$ 202,309

The notes to the financial statements are an integral part of this statement.

**CITY OF LITTLE RIVER, KANSAS**  
**DISCRETELY PRESENTED COMPONENT UNIT - LIBRARY BOARD**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL**

**For the Year Ended December 31, 2009**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year Actual	Current Year Actual
Cash Receipts:		
City of Little River	\$ 8,000	\$ 8,100
Grants	3,000	3,500
South Central Kansas Library System	4,190	4,210
Union Township	3,046	3,300
Rockville Township	-	300
State of Kansas	494	440
Memorial	25	-
Capital Credits	-	-
Interest	40	20
Miscellaneous	618	430
	<hr/>	<hr/>
Total Cash Receipts	19,413	20,300
	<hr/>	<hr/>
Expenditures:		
Personal Services	10,088	7,816
Books and Magazines	2,468	8,747
Meeting and Travel	202	-
Phone and Internet	910	871
Postage	604	482
Summer Reading	77	447
Supplies	843	1,231
Janitorial	-	150
Computer	-	-
Miscellaneous	841	799
	<hr/>	<hr/>
Total Expenditures	16,033	20,543
	<hr/>	<hr/>
Receipts Over Expenditures	3,380	(243)
	<hr/>	<hr/>
Unencumbered Cash, Beginning	20,263	23,643
	<hr/>	<hr/>
Unencumbered Cash, Ending	\$ 23,643	\$ 23,400
	<hr/>	<hr/>

**CITY OF LITTLE RIVER, KANSAS**  
**NOTES TO SPECIAL FINANCIAL STATEMENTS**

**December 31, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***(a) Financial Reporting Entity***

The City of Little River is a municipal corporation governed by an elected six-member council. These financial statements present the City of Lindsborg (the primary government) and its component unit. The component unit is included in the city's reporting entity because of the significance of its operational and financial relationship with the city.

Discretely Presented Component Unit - The component units section of the financial statements includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the city. The governing body is appointed by the city.

Library Board - The City of Little River Library Board operates the city's public library. Acquisition or disposition of real property by the board must be approved by the city. Bond issuances must also be approved by the city. The governing body is appointed by the city.

Fireman's Relief Association - The Association is not a component unit because the city exercises no oversight responsibility and has no accountability for its fiscal matters. The Firemen's Relief Association provides insurance and other benefits to firemen. The association's board consists of firefighters elected by popular vote. Kansas statutes provide for funding.

***(b) Basis of Presentation - Fund Accounting***

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for separately. Funds are classified into three categories: governmental, proprietary and fiduciary. Within each of these three categories there are one or more fund types. The city used the following fund types:

**Governmental Fund Types**

These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Operating Fund - This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources other than special assessments expendable trusts or major capital projects that are legally restricted to expenditures for specified purposes.

Debt Service Funds - These funds are established for the purpose of accumulating resources for the payment of interest and principal on long-term general obligation debt other than those payable from Enterprise Funds and Special Assessment Funds.

Capital Project Funds - These funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary and Trust funds.



## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

### **Proprietary Fund Types**

These funds account for operations that are self-supporting through user charges. The funds included in this category are Enterprise Funds and Internal Service Funds.

Enterprise Funds - These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal service Funds - These funds are established to account for the financing of goods or services provided by one department or other departments of the City on a mostly cost-reimbursement basis.

### **Fiduciary Fund Types**

These funds account for assets held by the City as a trustee or agent for individuals, private organizations and other units of governments. These funds are as follows:

Expendable Trust Funds - These funds are used to account for funds that are to be used for expenditures incurred by City employees and for funds held in escrow for other parties.

Agency Funds - These funds are used to account for assets received for, held for, and disbursed to individuals, other State and Local Government unit funds or other governmental or private sector organizations.

### ***(c) Basis of Accounting***

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

### ***(d) Departure from Generally Accepted Accounting Principles***

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance: encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. General fixed assets that account for the land, building and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

### ***(e) Budget and Tax Cycle***

Kansas statutes require that an annual operating budget be legally adopted for the General Operating Fund, Special Revenue Funds (unless specifically exempted by statute), Debt Service Funds and Enterprise Funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding year on or before August 1.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year end.

A legal operating budget is not required for Capital Project Funds and Agency Funds.

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

### ***(f) Special Assessments***

Projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the Bond and Interest Fund.

### ***(g) Subsequent Events***

Subsequent events have been evaluated through August 9, 2010, which is the date the audited financial statements were issued.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### ***Compliance with Kansas Statutes***

The clerk did not keep the required fund encumbrance records or unencumbered budget balances. These are violations of K.S.A. 10-1117 and 79-2934.



### 3. CASH AND INVESTMENTS

#### **(a) Deposits**

At December 31, 2009, the carrying amount of the City and its component unit deposits, including certificates of deposit, was \$609,891. The bank balance was \$626,344. The difference between the carrying amount and the bank balance is checks outstanding and deposits in transit. Of the bank balance \$250,000 was covered by FDIC insurance and the remaining \$376,334 was collateralized by pledged securities held under safekeeping receipts issued by a third-party bank in the bank's name with the City listed as pledgee and deposit surety bonds.

#### **(b) Investments**

Kansas statutes authorize the City to invest in U.S. Treasury Bills and Notes, repurchase agreements, and the Kansas Municipal Investment Pool. All investments must be insured, registered, or held by the City or its agent in the City's name. The Kansas Municipal Investment Pool is not subject to the risk category classifications. The City had no investments at December 31, 2009.

### 4. PENSION COSTS AND EMPLOYEE BENEFITS

#### **(a) Defined Benefit Pension Plan**

*Plan Description.* The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (400 SW 8th Avenue, Suite 200; Topeka, KS 66603-3925) or by calling 1-800-228-0366.

*Funding Policy.* K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar year 2009 is 5.54%. The City employer contributions to KPERS for the years ending December 31, 2009, 2008, and 2007 were \$8,988, \$7,929 and \$6,974 respectively, equal to the statutory required contributions for each year.

#### **(b) Other Employee Benefits**

Vacation – Full-time employees are entitled to paid vacation leave time according to the following schedule: provided, no paid vacation leave time may be taken during the first twelve months of employment with no carry over from year to year.

<u>Years of Service</u>	<u>Per Year</u>
After 1 Year Continuous Employment	5 Days
After 2 Years Continuous Employment	10 Days
After 3 Years Continuous Employment	15 Days

All vacation was used as of December 31, 2009.

Sick leave – Full-time employees, shall be entitled to sick leave with pay for absences resulting from illness, injuries, accidents or other physical incapacity, occurring either on or off the job.

Amount of sick leave – Full-time employees shall earn eight hours of sick leave for each full month of service.

Accumulation of sick leave – No employee may accrue more than 480 hours of sick leave. An employee shall not be paid for any unused sick leave upon termination of his or her employment with the City.

## 5. CLAIMS AND JUDGMENTS

The City is exposed to various risks of loss related to property loss, torts, and errors and omissions. The City has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage in 2009 and there were no settlements that exceeded insurance coverage in 2009.

During the ordinary course of its operations the City is a party to various claims, legal actions and complaints. It is of the opinion of the City's management that these matters are not anticipated to have a material impact on the City.

## 6. INTERFUND TRANSFERS

From	To	Statutory Authority	Amount
General Fund	Municipal Equipment Reserve	K.S.A. 12-1,117	\$ 10,000